

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-10 L-03
NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 AID-05
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FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 1124
INFO AMEMBASSY LIMA
AMEMBASSY QUITO
AMEMBASSY SANTIAGO
DIA WASHDC
USCINCSO J2 QUARRY HTS CZ

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E.O. 11652: N/A
TAGS: PINT, BL
SUBJECT: ROLE OF THE BOLIVIAN PRIVATE SECTOR IN THE ELECTORAL
PROCESS

1. THE BOLIVIAN PRIVATE SECTOR HAS GROWN UNDER THE BANZER REGIME DUE MAINLY TO POLITICAL STABILITY RATHER THAN CONSCIOUS EFFORTS TO STIMULATE ITS GROWTH. HISTORICALLY (SINCE 1952) AND AT PRESENT, HOWEVER, IT HAS BEEN ON THE DEFENSIVE. THE PRIVATE SECTOR (NOT INCLUDING AGRICULTURE) REMAINS GREATLY OUTWEIGHED BY THE PUBLIC SECTOR IN ECONOMIC AND POLITICAL TERMS. THE PHILOSOPHY AND PSYCHOLOGY OF THE BOLIVIAN PUBLIC, EVEN THE MILITARY, HAS BEEN HEAVILY STATIST AND SUSPICIOUS AND AT BEST TOLERANT OF THE PRIVATE SECTOR SINCE THE REVOLUTION OF 1952. POLITICALLY, PRIVATE SECTOR ACTIONS OF AN OPEN KIND ARE SEEN AS SELF-SEEKING WHEREAS DIRECT POLITICAL INVOLVEMENT BY STUDENTS, LABOR UNIONS, COOPERATIVES, ETC. ARE CLEARLY ACCEPTED AS PART OF THE NORMAL POLITICAL PROCESS.

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2. THE CURRENT ELECTORAL PROCESS IS NO EXCEPTION. THE NATIONAL CONFEDERATION OF PRIVATE BUSINESSMEN, NATIONAL CHAMBER OF COMMERCE, NATIONAL ASSOCIATION OF MEDIUM MINERS AND NATIONAL MINING CHAMBER WILL NOT OPENLY AS INSTITUTIONS SUPPORT ANY POLITICAL PARTY OR CANDIDATE. THE CONFEDERATION HELD ELECTIONS ON MAY 27, BUT THE CANDIDATES AND THE OUTCOME DID NOT HAVE

ANYTHING TO DO WITH THE CURRENT POLITICAL PROCESS. IN GENERAL, THE MAJORITY OF THE PRIVATE SECTOR SUPPORTS THE PEREDA CANDIDACY IF ONLY TACITLY. THIS IS BECAUSE THEY PREFER A CONTINUATION OF THE GENERAL POLICIES AND POLITICAL STABILITY OF THE BANZER ADMINISTRATION RATHER THAN THAT PEREDA IS PERCEIVED AS PRO-PRIVATE ENTERPRISE. INDIVIDUALS ARE CONTRIBUTING TO THEIR FAVORITE CANDIDATES AND REPORTEDLY SOME ARE HEDGING THEIR BETS BY CONTRIBUTING TO MORE THAN ONE, BUT THERE IS NOT COORDINATED SECTOR OR GROUP EFFORT. THIS INDICATES A SECONDARY REASON FOR LACK OF UNIFIED EFFORT IS THE DIVERSITY OF VIEWS REGARDING THE POLITICAL PARTIES AND THE VARIOUS CANDIDATES. FOR EXAMPLE, ADOLFO LINARES, FORMER PRESIDENT OF THE ANDEAN DEVELOPMENT CORP, AND A RICH AND PROMINENT BUSINESSMAN, AHS COME OUT OPENLY IN FAVOR OF PAZ ESTENSSORO. THIS MAY BE ATTRIBUTED TO HIS PERSONAL AMBITIONS (HE HAS BEEN MENTIONED AS A VICE PRESIDENTIAL RUNNING MATE) RATHER THAN TO ANY PERCEPTION THAT PAZ WOULD FOLLOW POLICIES FAVORABLE TO THE PRIVATE SECTOR. THE CONFEDERATION AND THE CAMARA WOULD LIKE TO HAVE A FEW PEOPLE IN THE LEGISLATURE WHO ARE FRIENDLY TO THE PRIVATE SECTOR AND SOME PRELIMINARY AND HALFHEARTED ATTEMPTS HAVE APPARENTLY BEEN MADE TO FEEL OUT PEREDA REGARDING INCLUSION ON HIS SLATE OF SOME "RIGHT MINDED" CANDIDATES. AS ORGANIZATIONS, HOWEVER, THEY WILL STICK TO PRESS ANNOUNCEMENTS AND PRIVATE MEETINGS WITH MAJOR PRESIDENTIAL CANDIDATES TO EXPOUND IN A GENERAL WAY ON THE PHILOSOPHY AND INTERESTS OF THE PRIVATE SECTOR.

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3. THE PRIVATE MINERS, ESPECIALLY THE MEDIUM MINERS, ARE ANXIOUS ABOUT THE OUTCOME OF THE ELECTIONS BECAUSE OF THE NEED FOR SOME KIND OF FISCAL RELIEF FROM THE BURDENSOME TAX SYSTEM IF THEY ARE TO SURVIVE AS VIABLE AND EVEN MODERATELY DYNAMIC ENTERPRISES. NONETHELESS, THEIR ASSOCIATION WILL NOT TAKE A POLITICAL POSITION OR SUPPORT A PARTY OR CANDIDATE. MOST OF THE MINERS GIVE AT LEAST LUKEWARM SUPPORT TO PEREDA BUT SEVERAL SUPPORT BERNAL AND ONE SUPPORTS SILES ZUAZO. MONEY IS CONTRIBUTED TO CANDIDATES OF PREFERENCE ON AN INDIVIDUAL BASIS. PEREDA IS NOW GETTING THE MOST HELP BUT IF PAZ' FORTUNES RISE SO WILL HIS CONTRIBUTIONS. HOWEVER, THERE ARE SEVERAL MEDIUM MINERS WHO ARE TRYING TO GET TOGETHER A SMALL GROUP THAT WILL APPROACH PEREDA AND OFFER SUPPORT FOR HIS CANDIDACY IN RETURN FOR INCLUSION OF SEVERAL PRO-PRIVATE SECTOR CANDIDATES FOR THE LEGISLATURE AND SOME SUPPORT FOR FREE ENTERPRISE IN GENERAL. THE EFFORT IS MOVING SLOWLY AND THERE IS LITTLE TIME LEFT. THIS GROUP DOES NOT EVEN KNOW WHO GOOD POTENTIAL CANDIDATES MIGHT BE. AT PRESENT IT APPEARS THEIR EFFORT IS LIKELY TO FAIL.

4. THE PRIVATE SECTOR IS, OF COURSE, NOT HELPLESS. IT

EXERTS INFLUENCE THROUGH ITS INDIVIDUAL MEMBERS AND AS A MAJOR FORCE IN BOLIVIAN SOCIETY IT MUST BE RECKONED WITH BY WHOMEVER WINS THE ELECTIONS. BOLIVIA NEEDS THE PRIVATE SECTOR ESPECIALLY UNDER CURRENT ECONOMIC CONDITIONS. BUT THE KEY POINT IS THE ATTITUDE OF THE NEXT BOLIVIAN ADMINISTRATION TOWARDS FREE ENTERPRISE AND WHETHER OR NOT POLICIES WILL BE FOLLOWED THAT WILL OFFER INCENTIVES TO ITS GROWTH. THE OUTLOOK FOR NOW IS FOR A MODESTLY GROWING PRIVATE SECTOR THAT IS TOLERATED RATHER THAN NURTURED AND FOR A CONTINUANCE OF THE SAME STATIST VIEWS THAT HAVE PREVAILED SINCE 1952. OF MORE CONSEQUENCE ARE THE POLICIES TO BE FOLLOWED BY THE NEW ADMINISTRATION TOWARD THE PRIVATE MINERS. MANY OF THE BIGGEST COMPANIES ARE IN DANGER OF COLLAPSE UNDER THE HEAVY BURDEN OF THE TAX SYSTEM. IF TIN PRICES DROP, THE PRESSURE LIMITED OFFICIAL USE

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WILL INCREASE, AND EVEN IF THEY ARE MAINTAINED, SERIOUS PROBLEMS COULD DEVELOP. EXPANSION, WITH THE POSSIBLE EXCEPTION OF ESTALSA-INTERNATIONAL MINING, IS OUT OF THE QUESTION. BOLIVIA IS GOING THROUGH A DIFFICULT ECONOMIC YEAR IN 1978, WHICH WILL CONTINUE INTO 1979. THE GOB IS NOT LIKELY TO CUT TAXES, ALTHOUGH THAT IS JUST THE TYPE OF RELIEF THE PRIVATE MINERS NEED. BOEKER

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